

108TH CONGRESS  
1ST SESSION

# S. 1026

To amend the Internal Revenue Code of 1986 to phase out the taxation  
of social security benefits.

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IN THE SENATE OF THE UNITED STATES

MAY 8, 2003

Mr. SHELBY introduced the following bill; which was read twice and referred  
to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to phase  
out the taxation of social security benefits.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Older Americans Tax  
5 Fairness Act”.

6 **SEC. 2. PHASEOUT OF TAXATION OF SOCIAL SECURITY**  
7 **BENEFITS.**

8 (a) REPEAL OF INCREASE IN TAX ON SOCIAL SECU-  
9 RITY BENEFITS.—

1 (1) IN GENERAL.—Paragraph (2) of section  
 2 86(a) of the Internal Revenue Code of 1986 (relat-  
 3 ing to social security and tier 1 railroad retirement  
 4 benefits) is amended by adding at the end the fol-  
 5 lowing new flush sentence:

6 “This paragraph shall not apply to any taxable year  
 7 beginning after December 31, 2002.”

8 (2) EFFECTIVE DATE.—The amendment made  
 9 by this subsection shall apply to taxable years begin-  
 10 ning after December 31, 2002.

11 (b) PHASEOUT OF BASE TAX.—

12 (1) IN GENERAL.—Subsection (a) of section 86  
 13 of the Internal Revenue Code of 1986 (relating to  
 14 social security and tier 1 railroad retirement bene-  
 15 fits) is amended by adding at the end the following  
 16 new paragraph:

17 “(3) PHASEOUT OF BASE TAX.—In the case of  
 18 any taxable year beginning in a calendar year after  
 19 2003 and before 2008, paragraph (1) shall be ap-  
 20 plied by substituting the percentage determined  
 21 under the following table for ‘one-half’ each place it  
 22 appears:

**“In the case of a taxable  
 year beginning in cal-  
 endar year:**

**The percentage is:**

2004 .....	40 percent
2005 .....	30 percent
2006 .....	20 percent
2007 .....	10 percent.”.

1           (2) TERMINATION OF BASE TAX.—Paragraph  
2           (1) of section 86(a) of such Code is amended by  
3           adding at the end the following new flush sentence:  
4           “‘This paragraph shall not apply to any taxable year  
5           beginning after December 31, 2007.’”

6           (3) EFFECTIVE DATE.—The amendments made  
7           by this subsection shall apply to taxable years begin-  
8           ning after December 31, 2003.

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